

Message Text

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ORIGIN AGR-08

INFO OCT-01 EUR-12 IO-11 ISO-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

/107 R

DRAFTED BY USDA:RSIMPSON

APPROVED BY EB/OT/TA:WGBARRACLOUGH

STR:CYEUTTER

COMMERCE:DSCHLECTY

USDA:LHALL

LABOR:DWANAMAKER

TREASURY:MFELDMAN

STR:JSTARKEY

EB/OT/TA:TFO'HERRON

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P R 192311Z JAN 76

FM SECSTATE WASHDC

TO USDEL MTN GENEVA PRIORITY

INFO USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: U.S. POSITION MTN GRAINS SUBGROUP, JANUARY 22

REFS: (A) MTN GENEVA 236,(B) STATE 297153,
(C) STATE 245988

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1. MTN GRAINS SUBGROUP WILL MEET ON JANUARY 22 TO DISCUSS
TWO ITEMS. (1) CONTINUATION OF DISCUSSION OF COUNTRIES'
PROPOSALS RELATING TO STABILIZATION, LIBERALIZATION,
AND THE PROBLEMS OF DEVELOPING COUNTRIES AND (2)

EXAMINATION OF SECRETARIAT DOCUMENTATION ON INTERNATIONAL TRADE AND GRAINS (MTN/GR/W/8 AND ADDENDA 1-5).

ACCORDING TO REF A THE GATT SECRETARIAT WISHES AT THE FORTHCOMING MEETING TO GIVE MUCH MORE EMPHASIS AND TIME TO A CONSIDERATION OF THE POLICY PROPOSALS THAN ORIGINALLY EXPECTED. ALSO, EC REPS HAVE INDICATED THEY WILL PROVIDE SPECIFIC REPLIES TO QUESTIONS RAISED BY U.S. CONCERNING EC PROPOSAL FOR GRAINS COMMODITY AGREEMENT AT THIS MEETING. OTHER COUNTRIES MAY BE EXPECTED TO PRESENT THEIR ADDITIONAL VIEWS ON THE U.S. PROPOSAL PRESENTED AT OCTOBER MEETING (REF C). DEVELOPING COUNTRIES ARE ALSO LIKELY TO CONTINUE TO PRESS FOR PRIORITY CONSIDERATION OF SPECIAL AND DIFFERENTIAL TREATMENT.

2. CURRENT U.S. STRATEGY IS TO ATTEMPT TO AVOID CONFRONTATION WITH THE EC IN FORMAL MEETINGS ON AGRICULTURE. IN LINE WITH THIS STRATEGY U.S. WOULD PREFER THAT MAIN FOCUS OF THE SUBGROUP MEETING BE ON EXAMINATION OF SECRETARIAT PAPER (MTN/GR/W/8). U.S. DEL SHOULD PARTICIPATE IN THIS EXAMINATION NOTING THAT SUCH DISCUSSIONS ARE NECESSARY TO PROVIDE BASIS FOR USEFUL ANALYSIS OF THE VARIOUS PROPOSALS WHICH HAVE BEEN TABLED. HOWEVER AS STATED IN REF B U.S. DOES NOT WISH TO MAKE A MAJOR ISSUE OF DOCUMENTATION IN SUBGROUP.

3. AS NOTED PARA 1 ABOVE EC HAS ALREADY INDICATED THAT IT WILL PROVIDE REPLIES TO U.S. QUESTIONS ON ITS PROPOSAL. U.S. DEL SHOULD EXPRESS APPRECIATION FOR AND TAKE NOTE OF ADDITIONAL INFORMATION PROVIDED BY EC REP AND INDICATE THAT THIS INFORMATION MAY BE THE SUBJECT OF U.S. COMMENT IN THE FUTURE. IF THE EC SEEKS SUBGROUP AGREEMENT TO TECHNICAL STUDIES BY THE SECRETARIAT ON ELEMENTS OF A PRICE-ORIENTED INTERNATIONAL GRAINS AGREEMENT, THE U.S. SHOULD OPPOSE ON THE BASIS THAT THIS TYPE OF WORK SHOULD NOT PROCEED ON ONE NEGOTIATING HYPOTHESIS WITHOUT COMPARABLE WORK ON OTHERS. (SUCH COMPARABLE WORK NOT NOW POSSIBLE, SINCE IN CASE OF U.S. LIMITED OFFICIAL USE
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PROPOSAL IT WOULD HAVE TO AWAIT NOTIFICATIONS.) ON THE OTHER HAND, NOTHING IS TO PREVENT THE EC FROM SUBMITTING TO THE SUBGROUP ITS OWN DETAILED TECHNICAL STUDIES ON ITS CONCEPT OF A GRAINS AGREEMENT.

4. IF AS IMPLIED REF A THE EC MOUNTS A MAJOR EFFORT TO SELL ITS COMMODITY AGREEMENT PROPOSAL, THE U.S. SHOULD COUNTER THAT THE PROPOSAL DOES NOT APPEAR TO DEAL ADEQUATELY WITH TRADE LIBERALIZATION OR THE INTERESTS OF THE LDCS. HE SHOULD NOTE THAT THE U.S. PROPOSAL ATTEMPTS TO DEAL WITH ALL THREE OF THE AREAS OF CONCERN IDENTIFIED BY THE SUBGROUP, AND SHOULD NOTE THAT THIS PROPOSAL IS STILL ON THE TABLE. DEL SHOULD CONTINUE

TO BE GUIDED BY DISCUSSION SECTION IN U.S. POSITION FOR OCTOBER MEETING IN PROVIDING U.S. VIEWS CONCERNING PRICE-ORIENTED COMMODITY AGREEMENTS IN GRAINS AND IN ANY FURTHER QUESTIONING OF EC DEL ON COMMUNITY'S PROPOSAL.

5. IF NECESSARY AND APPROPRIATE U.S. DEL SHOULD REMIND GROUP OF DETAILS U.S. PROPOSAL (DRAWING ON REF C) AND NOTIFICATION PROCEDURE WHICH WOULD ALLOW ALL COUNTRIES TO PURSUE CONCRETE PROBLEMS AND SOLUTIONS THAT ARE IMPORTANT TO THEM (INCLUDING STABILIZATION AND TREATMENT OF LDCS). IN VIEW OF THE PHILOSOPHICAL DIFFERENCES WITH WHICH COUNTRIES APPROACH THE QUESTION OF NEGOTIATIONS ON GRAINS, THIS PRAGMATIC APPROACH, WHICH DOES NOT SEEK TO COMMIT ALL COUNTRIES TO A SINGLE TECHNIQUE, IS IN THE U.S. VIEW THE ONLY ONE LIKELY TO SUCCEED. THE DEL SHOULD INSIST THAT ADEQUATE OPPORTUNITY BE AFFORDED FOR THE DISCUSSION OF ALL THE ELEMENTS OF ALL PROPOSALS BEFORE THE SUBGROUP IN ACCORDANCE WITH AGREED PROCEDURES. THIS BALANCED TREATMENT SHOULD BE REFLECTED IN ANY SUMMING UP BY THE CHAIRMAN.

6. IF ADDITIONAL COMMENTS ARE OFFERED ON U.S. PROPOSAL, U.S. DEL SHOULD INDICATE THAT THE VIEWS WILL BE TRANSMITTED TO WASHINGTON FOR ANALYSIS AND DISCUSSION AT A SUBSEQUENT SUBGROUP MEETING. ANY ADDITIONAL QUESTIONS REGARDING THE U.S. PROPOSAL SHOULD BE DEALT WITH ACCORDING TO GUIDANCE PROVIDED IN REF C. IF PARTICIPANTS SHOULD DRAW ATTENTION TO THE FACT THAT U.S. PROPOSAL
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IN OCTOBER WAS CONDITIONED ON ASSUMPTION THAT AGRICULTURAL GROUP WOULD REACH AGREEMENT ON IMPLEMENTATION OF THE MAY 8TH COMPROMISE THE DEL MAY STATE THAT IN U.S. VIEW THE AGREEMENT REACHED IN THE DECEMBER TNC IS A SUFFICIENT BASIS FOR THE SUBGROUP TO PROCEED NOW. THE DEL SHOULD AVOID COMMENTING ON PROCEDURAL QUESTIONS WHICH MAY REMAIN UNRESOLVED BY THE ABOVE MENTIONED AGREEMENT. HOWEVER, HE SHOULD NOT PERMIT INTERPRETATIONS CONTRARY TO U.S. INTERESTS TO STAND UNCHALLENGED, CITING THE DECEMBER 11 LONG STATEMENT AS APPROPRIATE. IF ISSUE RAISED HE SHOULD LEAVE NO DOUBT THAT THE U.S. CONSIDERS THE LONG STATEMENT APPLICABLE TO THE THREE SUBGROUPS AS WELL AS THE GROUP AGRICULTURE.

7. U.S. POSITION ON DISCUSSION OF RESERVES ISSUE IN SUBGROUP REMAINS AS STATED PARA. 7 REF C. SHOULD DEVELOPMENTS IN JANUARY 19 IWC PREP-COM REQUIRE MODIFICATION THIS POSITION, NEW GUIDANCE WILL BE PROVIDED.

8. EXAMINATION OF GRAINS DOCUMENTATION. FOREIGN

PRODUCTION, MARKETING AND TRADE DATA ARE ALREADY AVAILABLE TO U.S. THROUGH OTHER SOURCES AND THERE WOULD BE LITTLE UTILITY IN ATTEMPTING TO RECONCILE MASSIVE DATA OF MTN/GR/W/8 WITH U.S. DATA. SUMMARY OF MEASURES AFFECTING EXPORTS AND IMPORTS (TABLE 57), ALTHOUGH PERHAPS USEFUL TO SOME COUNTRIES, TOO GENERAL TO BE OF MUCH VALUE TO U.S. DEL MAY AS APPROPRIATE THEREFORE SEEK MORE SPECIFIC INFORMATION ON OTHER COUNTRIES' TRADE SYSTEMS. HE SHOULD ALSO SUPPORT THE CONCEPT THAT COUNTRIES NOTIFY TO THE SECRETARIAT IN A TIMELY MANNER CHANGES IN THEIR TRADE POLICIES. THESE NOTIFICATIONS SHOULD BE CIRCULATED TO SUBGROUP MEMBERS.

9. SINCE U.S. GRAIN TRADE IS CONDUCTED BY PRIVATE FIRMS AND INVOLVES RELATIVELY LITTLE GOVERNMENT INTERVENTION, DEL NEED NOT SUBMIT EXPLANATORY NOTE OF TYPE SUBMITTED BY EC TO ELABORATE ON ITS COMPLEX SYSTEM. WASHINGTON REP WILL BE AVAILABLE TO ASSIST DEL IN ANSWERING POSSIBLE QUESTIONS AND DISCUSSION (BELOW) MAY ALSO BE DRAWN ON, AS APPROPRIATE.

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IF SHORT INTRODUCTORY STATEMENT BY DEL (ALONG LINES OF FOLLOWING DISCUSSION) DEEMED NECESSARY, IT COULD BE SUBMITTED TO SECRETARIAT AS EXPLANATORY SUPPLEMENT TO TABLE 57.

10. DISCUSSION - UNDER AGRICULTURE AND CONSUMER PROTECTION ACT OF 1973, THE U.S. IS FOLLOWING A MARKET-ORIENTED GRAIN POLICY. MARKET PRICES ARE SUBSTANTIALLY ABOVE TARGET LEVELS ESTABLISHED BY THE ACT AND ALL GRAIN PRODUCTION CONTROLS (EXCEPT RICE) HAVE BEEN REMOVED OR SUSPENDED. THE U.S. MAINTAINS NO IMPORT QUOTAS FOR FEED GRAINS, AND WHEAT IMPORT QUOTAS HAVE BEEN SUSPENDED SINCE JANUARY 1974. U.S. IMPORT DUTIES ON GRAINS ARE LOW. U.S. COMMERCIAL GRAIN EXPORTS ARE CONDUCTED BY PRIVATE FIRMS WITHOUT BENEFIT OF ANY FORM OF GOVERNMENT EXPORT SUBSIDY.

11. U.S. GOVERNMENT PARTICIPATION IN COMMERCIAL GRAIN TRADE IS LIMITED TO: (A) FINANCING OF LIMITED AMOUNTS OF EXPORTS AT COMMERCIAL RATES (CURRENTLY 8 PERCENT TO 9 PERCENT PER ANNUM) THROUGH THE CCC EXPORT CREDIT PROGRAM; AND (B) ADMINISTRATION OF A MANDATORY EXPORT REPORTING/MONITORING SYSTEM TO ENSURE TIMELY INFORMATION ON GRAINS SALES. IN AUGUST 1975, THE U.S. GOVERNMENT REQUESTED THAT U.S. GRAIN COMPANIES TEMPORARILY SUSPEND FURTHER SALES OF GRAIN TO THE SOVIET UNION PENDING NEGOTIATION OF AGREEMENT WITH THE USSR TO REGULARIZE ITS PURCHASES IN THE AMERICAN MARKET. IN SEPTEMBER THE GOVERNMENT OF POLAND WAS REQUESTED TO REFRAIN

FROM MAKING ADDITIONAL PURCHASES OF GRAIN UNTIL THE OCTOBER CROP REPORT ISSUED BY USDA COULD BE EVALUATED.
(FYI: NEITHER OF THESE ACTIONS PURPORTED TO BE ENFORCEABLE AGAINST INDIVIDUALS UNDER U.S. LAW AND COMPLIANCE WAS THEREFORE TECHNICALLY VOLUNTARY IN NATURE.
END FYI.)

12. THE U.S. HAS ALSO ENTERED INTO ARRANGEMENTS WITH CERTAIN OTHER COUNTRIES TO EXCHANGE INFORMATION CONCERNING PROSPECTIVE GRAIN AVAILABILITIES AND TO ASCERTAIN FOREIGN PURCHASE INTENTIONS FOR U.S. GRAIN IN ORDER TO ENABLE U.S. GRAIN PRODUCERS TO PREPARE TO MEET ANTICIPATED LIMITED OFFICIAL USE
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MARKET DEMAND. NONE OF THESE ARRANGEMENTS CONTAINS PRICE PROVISIONS. THEY THUS DO NOT IMPAIR THE MARKET MECHANISM, BUT RATHER ENHANCE IT BY PROVIDING MORE INFORMATION TO DOMESTIC AND FOREIGN PRODUCERS AND CONSUMERS ON GRAIN DEMAND AND SUPPLY FACTORS.

13. CURRENT LEGISLATION CONTINUES AUTHORITY FOR U.S. GOVERNMENT INTERVENTION BY PRODUCTION CONTROLS, IMPORT QUOTAS, AND EXPORT SUBSIDIES. IT IS, HOWEVER, U.S. POLICY TO AVOID TO THE MAXIMUM EXTENT POSSIBLE RESORT TO SUCH MEASURES.

14. WASHINGTON USDA ADVISOR WILL HAVE DETAILED INFORMATION ON U.S. PL 480 GRAIN SALES, CCC GRAIN EXPORT FINANCING, U.S. EXPORT REPORTING/MONITORING SYSTEM AND OTHER MATTERS PERTAINING TO U.S. GRAIN TRADE.

15. SHOULD QUESTIONS BE ADDRESSED TO THE U.S. DEL CONCERNING DETAILS OF PAST U.S. PROGRAMS (E.G. REGARDING EXPORT SUBSIDIES, IMPORT QUOTAS, ETC.), HE MAY PROVIDE READILY AVAILABLE INFORMATION OR OFFER TO PROVIDE IT AT A LATER DATE AFTER CONSULTING WASHINGTON. HOWEVER, THE DEL SHOULD SEEK TO KEEP DISCUSSION CONFINED TO CURRENT TRADE PRACTICES AND MEASURES THAT ARE RELEVANT TO CURRENT NEGOTIATIONS. KISSINGER

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